



# PRESS RELEASE

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## AGREEMENTS REACHED ON OPERATIONS OF WATER AND WASTEWATER SYSTEMS

*Ensures Timely Savings and Safe, High Quality Service for Customers*

INDIANAPOLIS – The City of Indianapolis and Citizens Energy Group announced today that agreements have been reached concerning the ongoing management of the water and wastewater systems that will achieve timely realization of savings for ratepayers by maximizing efficiencies among combined utilities, while ensuring safe and high quality utility service.

This past July, the City-County Council approved Mayor Ballard's proposal to transfer the water and wastewater systems to Citizens, a nonprofit public charitable trust. The transfer is expected to result in combined water and wastewater rates being 25 percent lower than current projections and to create more than \$425 million for investment in critical infrastructure such as bridges, streets, sidewalks, parks and to remove hundreds of abandoned homes across the city.

The transfer is currently pending approval by the Indiana Utility Regulatory Commission (IURC). A decision from the IURC is not expected until next spring.

After extensive, good-faith negotiations, the City, Veolia Water and Citizens have agreed to transition operations of the water system to Citizens next year. Under the terms of the transition agreement, Veolia will continue to operate the water system through the closing of the utility transfer. This agreement is also subject to IURC approval and will be filed with the IURC tomorrow.

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“Transitioning operation of the water system to Citizens next year will help us to achieve \$60 million in annual savings, while ensuring safe, high quality water service for the people of Central Indiana. These savings will result in 25 percent lower combined water and wastewater rates by 2025 compared to current projections,” said Carey Lykins, president & CEO of Citizens Energy Group.

“Since the Council’s approval of the utility transfer, we have worked with Citizens and Veolia to forge an agreement that is in the best interest of utility customers, employees and the Indianapolis community,” said Chris Cotterill, chief of staff, City of Indianapolis. “We appreciate Veolia’s decision to work in a spirit of partnership with the City and Citizens to reach an agreement that ensures a smooth transition for all community stakeholders.”

Veolia Water has operated the water system since 2002 when the City acquired the system from NiSource, Inc. Since that time, Veolia has improved operations of the system and invested significantly to upgrade the system.

With this agreement, Veolia will be paid \$29 million as an early termination fee as contemplated in the contract entered into by the City and Veolia in 2002. The payment reimburses Veolia for investments it made to improve the system at the company’s cost, which had originally anticipated a 20-year rate of return. The termination payment will not raise water rates because it will be funded by the escrow account established by the utility transfer.

“Veolia is proud of the accomplishments of our employees and their improvements to the water system for Central Indiana,” said David Gadis, president of Veolia Water Indianapolis. “Through our extensive research and development efforts and the addition of new technologies, greater system efficiencies and higher quality drinking water have been produced.”

Gadis added, “We recognize the City’s transaction with Citizens provides an unprecedented opportunity to raise the capital it needs to improve the city’s infrastructure. Our highest priority has been to provide the people of Indianapolis with a reliable system that provides the community with safe, high-quality drinking water. We are dedicating our company, our people and our resources to the important job of transitioning the water system and related services in a way that will continue to benefit the community.”

Citizens has agreed to take assignment of United Water’s current contract with the City to operate the wastewater system. “United’s contract, which expires in 2016, provides a scope of operations for the wastewater system that will allow Citizens to achieve the efficiencies and associated savings we believe customers expect,” Lykins said.

Since the Council’s approval, Citizens has been carefully planning the integration of the water and wastewater utilities into Citizens’ family of companies. Citizens expects to consolidate some functions of the combined utilities during the three-year utility integration period, and plans to achieve staff reductions through attrition whenever possible.

Lykins stressed that retaining water and wastewater employees will be key to a smooth transition moving forward. “We need the fine experienced men and women now providing water and wastewater service to the Indianapolis community. We look forward to welcoming the water and wastewater employees into the Citizens family. The integration of the water and wastewater utilities into Citizens will not result in significant loss of jobs since most of the savings we have projected are from supply chain efficiencies,” Lykins said.

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As stated in the definitive agreements for the utility transfer, all current bargaining unit employees of the water system will be employed by Citizens if they desire. All union employees at the wastewater system will continue to be employed by United. Regarding City employees, Citizens will offer jobs to 34 employees from the Department of Public Works (DPW) and four employees from the Department of Waterworks (DOW). DPW and DOW employees not hired by Citizens will be retained by the City. Non-bargaining unit employment needs will be determined throughout the integration process with any non-bargaining staff reductions being achieved through attrition whenever possible.

“We look forward to providing opportunities for water system employees to continue their careers with Citizens. Working together, I know we can create a new Citizens that will further the promise of the public charitable trust to add value to this wonderful community,” Lykins said.

Since the announcement of the utility transfer proposal on March 10, 2010, Mayor Ballard, his administration and Citizens have focused on transparency to ensure the public is informed and educated on all aspects of the proposal. Representatives from the Mayor’s Office and Citizens have held more than 60 public forums and meetings with key stakeholder groups. The City and Citizens also have been engaged throughout the process with public and technical advisory groups that are providing valuable input on the operations of the drinking water, stormwater and wastewater systems.

For more information about the transition agreement with Veolia, visit [www.indy.gov/utilities](http://www.indy.gov/utilities), log on to the FTP site, <ftp://ftp.indygov.org/utilities> (username: public; password: public) or call (317) 327-4MAC. To access the filing documents, log on to the IURC’s Electronic Document System (EDS) at <https://myweb.in.gov/IURC/eds/>. Once you access the EDS, click the cases link. In the docket number field, type the number 43936 and click the search button. To access the filings, click the Filings\Docket Entries button.

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